

October 9, 1985

FACT SHEET ON PROPOSED  
CIVIL SERVICE SUPPLEMENTAL RETIREMENT SYSTEM (CSSRS)

Retirement Benefits

The Civil Service Supplemental Retirement System (CSSRS) provides retirement benefits of 1% of high-three average salary for each year of service. The benefits are payable in full at age 55 with 30 years of service; age 60 with 20 years of service; or age 62 with 5 years of service.

To provide a steady level of retirement income for those eligible to retire before age 62, a supplement equal to the federally-earned social security benefit is paid up to that age.

For the average employee retiring after a full career with the government, the combined benefits provided by CSSRS and social security are similar to the benefits of the Civil Service Retirement System (CSRS). However, because of the distribution of social security benefits, lower-paid employees receive somewhat more and the higher-paid employees somewhat less than under CSRS.

CSRS has been carefully designed to provide for retirement of employees who face hazardous duty or strenuous conditions over their careers. It is in the best interest of the government to maintain a young, vigorous workforce in these categories. CSSRS continues this approach by providing for a consistent level of retirement income at earlier ages for Federal law enforcement personnel, firefighters, and air traffic controllers. The added cost of these benefits is paid by the employees and their agencies.

### Disability Benefits

A disabled employee who is unable to perform the duties of his or her current position will be eligible for disability benefits. The benefit will be the accrued retirement benefit, but with a minimum based on service projected for 20 years, or to age 60 if earlier.

A disabled employee eligible for social security will typically receive replacement income of 50% of salary. This is somewhat higher than in CSRS, but lower than the typical private sector benefits of 60% to 75% of salary.

Disabled employees unable to perform the duties of their current or similar positions, but not qualifying under the stricter social security definition, will receive a supplement to make up for the lack of a social security benefit.

### Survivors

As in private sector plans and CSRS, the spouse of a deceased employee will be eligible to receive 50% of the employee's pension earned at death. The employee can continue this survivor protection after retirement by accepting approximately a 10% reduction in the basic retirement annuity.

Social security pays surviving spouse benefits averaging 20% to 25% of salary. However, there is a "blackout period" between when the spouse's youngest child turns age 16 and the spouse reaches age 60. CSSRS provides a constant level of income throughout this blackout period. It ensures a minimum guarantee equal to the regular CSSRS benefit (up to 22% of high-three salary) plus the social security benefit that would be paid to the widow at age 60.

The new system also recognizes that while adequate benefits are paid to eligible children under social security, these are discontinued at age 18, or age 19 if the child is in school. CSRS benefits are continued until age 22 if the child is in school. CSSRS fills in this gap by providing benefits as in CSRS from age 19 to age 22 if the child is in school.

#### Capital Accumulation Plan

The new retirement system combines a traditional defined-benefit retirement plan with a Capital Accumulation Plan (CAP) to encourage employee participation in building retirement income. The CAP has the same design as the most common system provided by private sector employers. Employees can voluntarily contribute up to 10% of salary to the CAP with the government matching half of the first 6% of salary.

The employee contribution will be allocated, at the discretion of the employee, among investment funds maintained by an independent Civil Service Investment Board. The options will include funds that specialize in a particular type of investment such as Federal securities or equities. Matching government contributions will be invested in a Treasury bond fund for the first five years, and thereafter at the discretion of the employee.

#### Employee Contributions

Employees will be required to make contributions to the retirement fund equal to 7% of salary, less the contributions to OASDI (currently 5.7%).

Employees will be fully vested in their contributions and entitled to withdraw the contributions, plus interest, at the time of leaving Federal service. After five years of service, employees will be vested in a deferred benefit, payable at age 62, reduced by the value of any withdrawn contributions.

### Cost-of-Living Protection

All benefits under CSSRS are fully protected against inflation by annual adjustments equal to the increase in the Consumer Price Index. The formula for the timing and amount of the increase is the same as under CSRS.

### Government Cost

The total employer cost of the retirement system, including social security, will be about 25.5% of salary. Details of the cost are in the attached table. The additional .5% of salary over the CSRS cost of 25% of salary is needed to compensate for the redistribution of benefits under the social security system. At its slightly higher cost, CSSRS provides benefits that are worth, in total, the same as the CSRS benefits.

The decision to provide a new system with the same value as CSRS was based on a detailed study of total compensation, including retirement, performed in 1984 by Hay/Huggins. While retirement benefits provided by CSRS are worth 6.4% more than those of average private sector plans, the total Federal compensation package falls more than 16% behind that of the average private sector employer. Since 1984, Federal employees have received one 3.5% pay increase and there is no increase scheduled through the end of 1986. It is expected that private sector pay will have increased 12.5% in 1985 and 1986.

Chairman Ford and Chair Oakar believe that it is important to preserve the value of the only major part of the compensation package that is more valuable than in the private sector. A strong retirement system will help to attract and retain employees who would otherwise look for other jobs with higher salaries and superior fringe benefits.

Civil Service Retirement System

The CSSRS deals exclusively with Federal employees covered by social security. While benefits were designed to be consistent with those of CSRS, the benefits of current annuitants and employee members of CSRS are not affected by any of the provisions of CSSRS.

The funding of CSSRS will be combined with CSRS in one retirement fund, in order to assure all annuitants, survivors and disabled employees that the funds needed for benefits from both CSRS and CSSRS will be available when needed. By fully funding the CSSRS benefits from the date of employee entrance into the system, the plan guarantees a continuous flow of funds to provide retirement benefits to all Federal annuitants.

**PLAN DESIGN SPECIFICATIONS  
FOR THE  
CIVIL SERVICE SUPPLEMENTAL RETIREMENT SYSTEM**

**I. DEFINED BENEFIT RETIREMENT**

<b>A. BASIC PLAN DESIGN</b>	Defined benefit, not explicitly integrated with social security (add-on plan).
<b>B. REQUIRED EMPLOYEE CONTRIBUTION</b>	7% of salary less OASDI contribution.
<b>C. VESTING</b>	5 years.
<b>D. SALARY BASE</b>	Average High-3 salary.
<b>E. RETIREMENT BENEFIT FORMULA</b>	1.0% x years of service.
<b>F. UNREDUCED RETIREMENT BENEFITS</b>	Age 55 with 30 years of service; Age 60 with 20 years of service; Age 62 with 5 years of service.  Supplement paid prior to age 62 equal to social security benefit.
<b>G. INVOLUNTARY EARLY RETIREMENT BENEFITS</b>	Age 50 with 20 years of service. Any age with 25 years of service.
<b>H. DEFERRED RETIREMENT</b>	Full accrued benefit payable at age 62 with at least 5 years of service.

**I. REFUNDS**

Employees may withdraw contributions plus interest. Any withdrawn contributions will be deducted from the vested benefit value.

**J. COST-OF-LIVING  
ADJUSTMENT**

Annual adjustment equal to the increase in the Consumer Price Index.

**K. DISABILITY BENEFITS**

For employees eligible for social security benefits no less than the lesser of:

(a) 20% of high-three salary, or

(b) the retirement benefit projected to age 60

Employees not eligible for social security benefits receive the above formula plus a supplemental benefit until old-age social security benefits become payable at age 62.

**L. HAZARDOUS DUTY EMPLOYEES**

Federal Law Enforcement officers may retire after age 50 with 20 years of service.

Firefighters may retire after age 50 with 20 years of service.

Air Traffic Controllers may retire after 25 years of service or after age 50 with 20 years of service.

The annual retirement credit is 1.7% times years of service up to 20 years plus 1.5% for years in excess of 20 years.

**HAZARDOUS DUTY EMPLOYEES  
(contd)**

Supplement payable from  
retirement to age 62.

Employee pays an additional .5%  
of pay for benefit.

**M. POST-RETIREMENT SPOUSE  
SURVIVOR BENEFITS**

Automatic unless jointly waived.

Those electing option have  
annuity reduced by 10%.

Payment to surviving spouse is  
half of the unreduced annuity.

**N. PRE-RETIREMENT SPOUSE  
SURVIVOR BENEFITS**

Any age with 18 months of  
service.

The same benefit that would be  
payable to a surviving spouse of  
a retired employee.

The minimum surviving spouse's  
benefit is no less than the  
lesser of:

(a) 22% of high-three salary, or

(b) the projected combined  
retirement system and  
social security benefit at  
the widow(er)'s age 60.

less  
social security

**O. CHILDREN**

Annual benefit of \$2,800  
increased by future CPI growth,  
and fully offset for the  
children's portion of any social  
security benefit. Benefits paid  
until age 18 for a child not in  
school and until age 22 for a  
child in school. Benefits are  
continued after age 22 for a  
disabled child.



II. VOLUNTARY CAPITAL  
ACCUMULATION PLAN

- A. ALLOWABLE EMPLOYEE CONTRIBUTIONS Up to 10% of pay to thrift plan.
- B. GOVERNMENT MATCHING CONTRIBUTIONS For each \$1 contributed by employee up to 6% of pay, Government contributes \$0.50.
- C. VESTING Employee contributions immediately vested. Government matching contributions vested 20% after 1 year, 40% after 2 years, 60% after 3 years, 80% after 4 years, and fully vested after 5 years.
- D. INVESTMENT OPTIONS
- Employees may choose to invest their contributions in any of the investment vehicles provided in the Capital Accumulation Plan.
- Government contributions are invested in Treasury securities for the first five years of the Capital Accumulation Plan. After this period, Government contributions may be invested in any of the investment vehicles as elected by the employee.
- E. CURRENT EMPLOYEES Current employees may not elect into CSSRS. They may participate in the Capital Accumulation Plan, but do not receive Government matching contributions.

**III. SOCIAL SECURITY**

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|---|---|
| <p><b>A. OLD AGE, SURVIVORS, AND<br/>DISABILITY INSURANCE</b></p> | <p>All affected employees covered.</p>  |
| <p><b>B. EMPLOYEE CONTRIBUTION</b></p>                            | <p>Employee contribution of 5.7% of pay (6.06% in 1988; 6.2% in 1990) for OASDI coverage, up to maximum taxable wage base (\$39,600 in 1985.)</p> |

# Cost Table

## Civil Service Supplemental Retirement System

<u>PROGRAM COMPONENT</u>	<u>ESTIMATED NORMAL COST</u> (percentage of payroll)
TOTAL DEFINED BENEFITS	19.3%
CAPITAL ACCUMULATION PLAN	4.3%
SOCIAL SECURITY	11.8%
TOTAL BENEFITS	35.4%
EMPLOYEE CONTRIBUTIONS	
Defined Benefit	-1.1%
Capital Accumulation Plan	-2.9%
Social Security	-5.9%
Subtotal	-9.9%
TOTAL EMPLOYER COST	25.5%**

\*\* Total cost to replicate current benefit levels is slightly higher than the current system costs.